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Financing of the United Nations Peacekeeping Force in Cyprus

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Report of the Advisory Committee on Administrative and Budgetary Questions

Addendum

1. The Advisory Committee on Administrative and Budgetary Questions has considered the reports of the Secretary-General on the financial performance of the United Nations Peacekeeping Force in Cyprus (UNFICYP) for the period from 1 July 1998 to 30 June 1999 (A/54/704) and on the proposed budget for the 12-month period from 1 July 2000 to 30 June 2001 (A/54/729). During its consideration of the reports, the Committee met with representatives of the Secretary-General, including the Chief Administrative Officer of UNFICYP, who provided additional information and clarifications.

2. UNFICYP was established by the Security Council on 4 March 1964. From its inception until 15 June 1993, the costs of the Force were met by Governments providing contingents, by the Government of Cyprus and by voluntary contributions to UNFICYP. In accordance with General Assembly resolution 47/236 of 14 September 1993, the costs of the Force since 16 June 1993 that were not covered by voluntary contributions have been assessed on Member States. Voluntary contributions equal to one third of the annual cost of UNFICYP have been made on a continuing basis by the Government of Cyprus, while the Government of Greece has been making an annual contribution of $6.5 million.

Financial performance for the period from 1 July 1998 to 30 June 1999

3. The amount approved by the General Assembly for the maintenance of UNFICYP for the period from 1 July 1998 to 30 June 1999 was $45,276,160 gross ($43,536,860 net), including the portion to be met through voluntary contributions from the Governments of Cyprus and Greece as well as $2,267,160 appropriated for the support account for peacekeeping operations by the General Assembly in its resolution 52/241 of 26 June 1998. Recorded expenditures amounted to $44,902,200 gross ($43,115,200 net), resulting in an unencumbered balance of $374,000 gross ($421,700 net). The unencumbered balance resulted mainly from lower travel costs under civilian police personnel and lower operational cost requirements under transport operations, supplies and services, communications and infrastructure repairs.

4. As indicated in annex II, paragraph 1, of the performance report (A/54/704), the unutilized balance of $87,200 under civilian police costs was largely

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attributable to the fact that one Government providing civilian police does not seek reimbursement for its repatriation/rotation costs. In this connection, the Advisory Committee recalls paragraph 33 of its report of 7 May 1998 on the financing of United Nations peacekeeping operations (A/52/860), in which it requested that the Secretariat ascertain, in such cases, whether or not a claim will be submitted by the country concerned and to take the results into account when preparing future budgets of the missions. Upon enquiry, the Committee was informed that, in accordance with the recommendation of the Committee, the savings were taken into account when the 2000-2001 budget was prepared.

5. An unutilized balance of $713,400 resulted from reduced operational requirements, including unspent balances under infrastructure repairs ($56,900), transport operations ($479,400), communications ($126,500) and supplies and services ($368,900), offset in part by additional requirements under premises/accommodation ($147,700), air operations ($8,900), and other equipment ($161,700).

6. The Advisory Committee was informed that troop cost reimbursement up to 30 April 1999 totalled $90,624,736, while the amount owed for the period from 1 May to 31 December 1999 was $10,697,069. With regard to contingent-owned equipment, the Committee was informed that, as at 31 December 1999, the amount reimbursed was $4,140,623 and the amount owed was $12,278,698. Unliquidated obligations in respect of contingent-owned equipment as at 31 December 1999 amounted to $6,233,343. Under death and disability compensation, the Committee was informed that $214,718 had been paid as at 31 December 1999 for 15 claims, leaving a balance of $1,100,000 in unliquidated obligations and 3 pending claims. The Committee was informed that the cash position of UNFICYP as at 31 December 1999 was $18.6 million.

7. The Advisory Committee was also informed that the total amount assessed on Member States for UNFICYP for the period from 16 June 1993 to 31 December 1999 was $150.2 million, against which the payments received amounted to $134.0 million, leaving an outstanding balance of $16.2 million.

8. The Advisory Committee notes the continued economy and efficiency measures undertaken by the Mission to reduce operational costs. One example of this is the analysis conducted by the Mission of the premises needing repair in the United Nations Protected Area, with a view to rationalizing the use of space, and to determining the actual needs of the Force. As a result of the analysis, the Force is currently in the process of vacating unneeded space. Another example is the institution by the mission of a new, more refined method of authorizing the use of helicopters for strictly operational purposes, which has resulted in improved control of flight hours. **The Committee welcomes such measures.**

9. **The Advisory Committee also commends the Mission for the measures it has taken to improve and strengthen procurement services.** The Committee was informed that a staff member with expertise in procurement had been posted to the mission and that training of other mission personnel had been conducted. Procurement planning had been improved, with an emphasis on streamlining and focusing requirements, and extensive advertising, including wide use of the Internet, had been employed. After a careful analysis of comparative costs, purchases are made either locally or from outside the region. The Committee was informed that there was close cooperation between the procurement services of the mission and those of Headquarters. In addition, a regional meeting of chief administrative officers of missions in the Middle East is being held to share best practices in procurement and other areas. Furthermore, the Committee was informed of the intention of the Department of Peacekeeping Operations to review all procurement practices in missions in order to benefit from lessons learned. **The Committee welcomes the initiative.**

10. The measures taken to improve procurement in the mission have led to considerable savings. In the context of the performance report for the period from 1 July 1998 to 30 June 1999, savings were realized, for example, under communications equipment, where local procurement resulted in savings of $37,500, and under contractual services, where local competitive bidding led to savings of $312,800 for laundry and dry cleaning services (see A/54/704, annex II, paras. 7 and 9).

11. With regard to military costs, the Advisory Committee recalls its recommendation in paragraph 8 of its report of 5 April 1999 (A/53/895/Add.3) that, in the case of the contingent that has required rotation every five and one half months instead of the normal

six-month rotation, the administration should look into the matter with a view to convincing the troop contributor to bear the cost of any additional rotation this arrangement would entail. Upon enquiry, the Committee was informed that efforts were under way to reach an understanding with the troop-contributing country concerned that rotation would henceforth be on a six-month basis.

12. The Advisory Committee requested clarification on the policy for payment of war-risk insurance for aircraft acquired under letter-of-assist arrangements, as referred to in annex II, paragraph 6, of the performance report. As this issue is of relevance to a number of peacekeeping missions, the information provided to the Committee is reflected in its general report on financing of the United Nations peacekeeping operations (see A/54/841, para. 46).

13. The action to be taken by the General Assembly in connection with the financing of UNFICYP for the period from 1 July 1998 to 30 June 1999 is indicated in paragraph 10 of the performance report (A/54/704). **The Advisory Committee recommends that the unencumbered balance of $374,000 gross ($421,700 net) for the period from 1 July 1998 to 30 June 1999 be credited to Member States in a manner to be decided by the General Assembly.**

Information on performance for the current period

14. The Advisory Committee was informed that, against the authorized staffing establishment of UNFICYP for the period from 1 July 1999 to 30 June 2000 of 1,230 troops, 35 civilian police, 44 international staff and 215 local staff, encumbered posts as at 31 December 1999 were 1,206 troops, 35 civilian police, 39 international staff and 197 local staff.

15. The Advisory Committee was provided with expenditure data for the period from 1 July 1999 to 30 June 2000, as at 31 December 1999. Expenditure for the period amounted to $34,743,200, against an apportionment of $43,892,300.

Cost estimates for the period from 1 July 2000 to 30 June 2001

16. As indicated in paragraph 1 of the report of the Secretary-General (A/54/729) on the proposed budget for the maintenance of the Force for the 12-month period from 1 July 2000 to 30 June 2001, an amount of $41,039,800 gross ($39,374,200 net) has been requested. This request represents a 4.5 per cent decrease ($1,875,100) in gross terms in relation to the apportionment for the current period ending 30 June 2000. The proposed budget reflects decreases of $521,400, or 2.3 per cent, in military personnel costs; $765,500, or 7.6 per cent, in civilian personnel costs; $534,800, or 6.6 per cent, in operational costs; and $72,900, or 4.2 per cent, in staff assessment, offset by an increase of $19,500, or 98.5 per cent, in other programmes.

17. With regard to the presentation of the budget report, the Advisory Committee notes that some of the information provided in section IV (Contributions made under the status-of-forces agreement) is being disclosed for the first time. Upon enquiry, the Committee was informed that all of the amounts in the table in section IV, apart from the first entry, were additional to the budgeted amounts paid by the Governments of Cyprus and Greece. The total cost of the mission is therefore larger than previously disclosed. **In future budget submissions, the Committee requests that the same procedure be used for UNFICYP as is used for the United Nations Iraq-Kuwait Observation Mission, that is, such contributions should be included under section V of the report (Voluntary contributions).**

18. The proposed military personnel of UNFICYP remain at 1,230. The Advisory Committee notes from paragraph 2 of annex I.C to the budget report (A/54/729) that a 5 per cent non-utilization factor has been applied in respect of rations for military personnel.[1] This has resulted in a downward adjustment of the estimated requirements by $161,400. The Committee enquired as to the extent to which that practice was followed in other missions, and was informed that non-utilization factors were applied in the United Nations Disengagement Observer Force and the United Nations Interim Force in Lebanon (14 days per person per year), as well as the United Nations Preventive Deployment Force (3.5 per cent).

19. The proposed civilian staffing of the mission comprises 35 civilian police, 44 international staff and 186 local staff. This reflects a decrease of 29 local staff posts resulting from the outsourcing of cleaning and catering services, as recommended by the Advisory Committee in its report of 3 April 1998 (A/52/860/Add.4, para. 19). The Committee was informed that those local staff affected, to the extent possible, had been absorbed in vacant posts; others had been let go after the termination of their contracts. Upon enquiry, the Committee was informed that the abolition of the 29 posts had resulted in savings of $708,900 gross. The costs of the contracts for janitorial and cleaning services were $225,100 and $423,000 respectively, leaving a net savings as a result of outsourcing of $135,000. **The Committee welcomes the contracting out of these services and the consequent savings achieved.**

20. Upon enquiry, the Advisory Committee was informed that the contracting out of services had been undertaken at Force headquarters. A study is under way to determine the feasibility of outsourcing similar services in the field sectors. **In this connection, the Advisory Committee welcomes the intention of UNFICYP, as stated in paragraph 14 of the budget report (A/54/729), to continue its efforts towards outsourcing non-core, labour-intensive functions while at the same time enhancing management, supervisory and specialized technical functions. The Committee encourages the completion of the study and requests that the results be incorporated in the estimates for the next financial period and be made available to other missions.**

21. The Advisory Committee was informed that cost estimates for the period from 1 July 2000 to 30 June 2001 were based on a 5 per cent vacancy factor in respect of international staff and a zero vacancy factor for local staff. The Committee notes that these rates are lower than those in the performance report for the period from 1 July 1998 to 30 June 1999 (A/54/704), which were 8 per cent and 1 per cent respectively. Upon enquiry, the Committee was informed that, owing to the size of the mission and the relatively low vacancy rate it was considered prudent to use 5 per cent and zero vacancy factors. In the case of local staff, zero was used because the mission was attempting to absorb in vacant posts some of the 29 staff whose posts had been abolished as a result of the outsourcing of cleaning and catering services. **Taking this specific situation into account, the Committee supports the use of a zero vacancy factor for local staff, but is of the opinion that the rates used for international staff are not borne out by past experience.** Upon enquiry, the Committee was informed that, as at 31 December 1999, there were 11 mission appointees at UNFICYP. **The Committee encourages a greater use of this type of staff.**

22. As indicated in paragraph 19 of annex I.C to the budget report (A/54/729), the estimates for other equipment include provision for replacement of 20 per cent of the electronic data-processing equipment. In other missions, the replacement rate is 25 per cent. The Advisory Committee notes that the focus in this area is on replacement of equipment that is "obsolete, and/or uneconomical to repair". This is in line with the view of the Committee that the 25 per cent ratio should not be applied mechanically (see A/54/841, paras. 35 and 36). **The Committee encourages other missions to follow similar rigorous examination of their inventory before deciding on new requisitions.**

23. The Advisory Committee notes from annex II to the budget report (A/54/729) that $20,000 is requested under data-processing services, as against $18,000 for the current period. Upon enquiry, the Committee was informed that the increase was the direct result of the anticipated price increase in Sun and ProGen systems software licensing fees for the 2000/01 financial period. The Committee was also informed that the criteria used to determine whether to purchase or lease data-processing systems were availability and best value to the Organization. Currently, hardware is being purchased, while options for leasing are being investigated. Software for personal computers is purchased on payment of a one-time licensing fee, while administrative application software, such as Sun Microsystems, ProGen and Reality are only available as lease/purchase with annual maintenance/renewal options, and therefore cannot be purchased. The Committee was also informed that the Information Technology Services Division has set specification standards for hardware such as servers, workstations, etc. Those standards are followed for mission purchases made by United Nations Headquarters. Although there are software standards as well, the missions are obliged to use their discretion in order to satisfy local requirements such as language support.

24. The Advisory Committee notes the considerable increase in the estimates for training programmes, from

$15,000 for the current period ending 30 June 2000 to $34,500 for the period from 1 July 2000 to 30 June 2001. Upon enquiry, the Committee was informed that $34,500 represented the full cost of the training programme, including related travel and other costs. The Committee was also provided, upon request, with a breakdown of the training planned for the period from 1 July 2000 to 30 June 2001. **The Committee welcomes the emphasis on training and intends to monitor training programmes to ascertain if the increase in expenditure is commensurate with the benefit accrued to missions.**

25. The Advisory Committee notes from paragraph 21 of annex I.C to the budget report (A/54/729) that requirements for procurement training are estimated at $6,000. **In view of the considerable decentralization in procurement services to the field, the Committee recommends a much more focused procurement training programme involving procurement personnel from all the missions in the area.** In this connection, the Committee was informed that training had already been undertaken for finance officers on appointment, and that training of procurement officers was under consideration. **Such shared training could be organized either under the aegis of the United Nations Logistics Base at Brindisi or UNFICYP. The Advisory Committee is also of the view that more training should be given in all aspects of contract management.**

26. **The Advisory Committee recommends that in the context of future budgets the number of personnel trained, the related costs and the areas of training should be included in the supplementary information supplied to the Committee. It is also of the view that before selecting personnel to be trained the actual availability of the staff member for mission service should be confirmed by the Administration.**

27. Estimates in annex II.A under other travel reflect an increase of 58 per cent. The Advisory Committee was informed that the amount of $30,900 estimated for travel of the Office of Internal Oversight Services was based on the assumption that three auditors would travel to the mission and stay for a period of 28 days at an estimated cost of $10,300 per person for airfare and subsistence. The number of auditors and the length of stay take into account the possibility of expansion in the activities of the mission in the event of a breakthrough in the ongoing United Nations efforts there. Upon request, the Committee was provided with a detailed breakdown of all travel costs.

28. The Advisory Committee has stated that organizations seeking the help of UNFICYP should reimburse the Force (A/51/851, para. 40). **The Committee notes the information in annex III regarding assistance provided by UNFICYP to various entities in the mission area, and reiterates its recommendation that care should be taken to avoid the establishment of elaborate and costly recovery methods which might not be commensurate with the amounts to be recovered. The Committee requests that the costs involved be carefully monitored and that reimbursement be sought wherever appropriate, taking into account the guidelines given by the Committee.**

29. The actions to be taken by the General Assembly in connection with the financing of UNFICYP for the period from 1 July 2000 to 30 June 2001 are indicated in paragraph 3 of the budget report (A/54/729). **The Advisory Committee recommends that the amount of $41,039,800 gross ($39,374,200 net) be approved for the maintenance of UNFICYP for the 12-month period beginning 1 July 2000, including the amount of $19,624,735 net representing voluntary contributions from the Governments of Cyprus and Greece.**

Notes

[1] Calculation of the non-utilization factor is based on examination of audit reports to determine the amount of rations that are not used when military personnel are on leave or away from the mission for other reasons